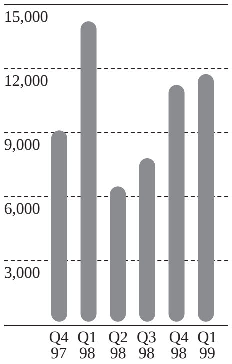
# 1999 first quarter report

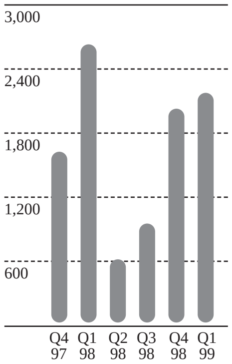
## Financial Summary

| *Three months ended March 31* *($ thousands, except per share amounts)* | 1999 | 1998 |
|---|---|---|
| Revenue | 11.9 | 14.0 |
| Earnings before interest, income taxes and depreciation & amortization (EBITDA) | 2.5 | 3.4 |
| Net income | 0.8 | 1.7 |
| Net income per share | | |
| Basic | 0.06 | 0.16 |
| Fully diluted | 0.06 | 0.15 |
| Funds from operations | 2.2 | 2.6 |
| Funds from operations per share | | |
| Basic | 0.17 | 0.25 |
| Fully diluted | 0.16 | 0.22 |

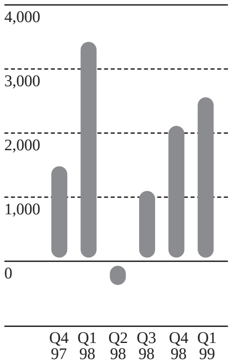
**Revenue**
*($ thousands)*




**Cash Flow**
*($ thousands)*




**EBITDA**
*($ thousands)*




## Financial Review

During the first three months of 1999, Trican Well Service Ltd. (the "Company") generated net income of $0.8 million compared to $1.7 million for the same period the previous year. Earnings per share for the quarter were $0.06 in 1999 relative to $0.16 for the first quarter of 1998 which reflects the significant reduction in activity year over year. Due to lower cash flows, limited access to the equity markets, and declining access to additional debt, drilling activity by oil and gas companies declined 40% during the first three months of 1999 from the comparable period last year. Trican completed 1,237 jobs during the quarter which was a decrease of 30% from the first three months of 1998. Despite these factors, the Company's revenue and cash flow decreased only 15% and 16% respectively from the prior year. Revenue was $11.9 million for the quarter ended March 31, 1999 versus $14.0 million last year. The decrease of $2.2 million (15%) is a result of a continued reduction in activity and increased price competition, most noticeably in pumping services.

Materials and operating expenses have increased 3% this quarter versus 1998 as a percentage of revenue due to the increase in price competitiveness in all services.Trican has adjusted staffing levels and discretionary spending in response to the changes in market conditions.

General and administrative expenses were 3.2% of revenue for the quarter compared to 3.7% last year. Trican's interest expense increased one percent this quarter compared to last year due to the use of debt during 1998 to partially finance equipment purchases. The level of debt is conservative compared to equity with the debt-to-equity ratio at 0.2:1. Depreciation and amortization has increased $0.5 million for the quarter ended March 31, 1999. The increase in this non-cash expense is a direct result of Trican's capital expenditures over the past two years. Cash flow from operations decreased $0.4 million (16%) for the first three months of 1999 as a result of reduced net income compared with the same period in 1998.

**Average revenue per job increased 22% as a result of service line expansion and broader geographic coverage.**

## Operational Review

Trican's equipment expansion into fracturing, coiled tubing, and nitrogen services over the past two years has helped to mitigate the effects of the overall decline in drilling activity. These services accounted for over one half of sales during the quarter compared to approximately one third of sales for the first quarter of 1998. Geographic expansion into the north and west parts of Alberta during the second half of 1998 coupled with the service line expansion has had a positive impact on average revenue per job. Average revenue per job has increased 22% in the 1999 first quarter relative to the 1998 first quarter.

Near the end of the first quarter of 1999, a fire occurred on a lease where the Company was preparing to perform a fracturing treatment. The fire started prior to the fracturing treatment, however, some of Trican's equipment was caught in the blaze. Due to the safety awareness of the Company's employees and the other personnel on site, there were no injuries. Unfortunately, several pieces of fracturing equipment were damaged. Trican's insurance policy fully provides for this loss and provides coverage for revenue lost during the time needed to replace this equipment. Replacement equipment is currently under construction and is expected to be in the field after the end of the second quarter.

**Trican has remained committed to maintaining a lean and effective operating structure. As a result, the Company believes it is well-positioned to take advantage of any future increases in activity.**

## Outlook

It is generally expected that activity during the second quarter of 1999 will remain low due to the seasonal decline created by spring breakup. Notwithstanding the usual seasonal downturn in activity, the outlook for the industry is one of guarded optimism. Higher commodity prices in recent months have created positive momentum in the industry. Some industry watchers have increased their activity forecasts for 1999 and are predicting much higher activity levels in the year 2000. Trican has maintained a lean and effective operating structure over the past twelve months of reduced activity, and as a result, believes it is well-positioned to take advantage of any future increases in activity.

Respectfully submitted on behalf of the Board of Directors,

Murray L. Cobbe
*President and Chief Executive Officer*

May 13, 1999

## Consolidated Balance Sheets

| | March 31 1999 | December 31 1998 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Accounts receivable | $ 9,676,699 | $ 7,483,550 |
| Prepaid expenses | 270,202 | 292,940 |
| Inventory | 1,271,934 | 1,591,682 |
| Income taxes receivable | 1,169,505 | 1,097,467 |
| | 12,388,340 | 10,465,639 |
| Capital assets | 36,668,070 | 36,248,939 |
| Goodwill | 1,644,273 | 1,693,164 |
| | $ 50,700,683 | $ 48,407,742 |
| **LIABILITIES & SHAREHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Bank indebtedness | $ 4,213,729 | $ 2,848,496 |
| Accounts payable | 2,848,353 | 3,719,570 |
| Current portion of long-term debt | 793,457 | 693,750 |
| | 7,855,539 | 7,261,816 |
| Long-term debt | 5,397,464 | 4,856,250 |
| Deferred income taxes | 3,037,809 | 2,648,031 |
| Shareholders' equity | | |
| Share capital | 27,131,894 | 27,131,894 |
| Retained earnings | 7,277,977 | 6,509,751 |
| | 34,409,871 | 33,641,645 |
| | $ 50,700,683 | $ 48,407,742 |

## Consolidated Statements of Operations and Retained Earnings

| *For the three months ended March 31* | 1999 | 1998 |
|---|---|---|
| Revenue | $ 11,863,759 | $ 14,038,351 |
| Expenses | | |
| Materials and operating | 8,990,518 | 10,162,224 |
| General and administrative | 381,076 | 517,587 |
| Interest expense | 150,503 | 48,385 |
| Depreciation and amortization | 1,041,423 | 543,453 |
| | 10,563,520 | 11,271,649 |
| Income before income taxes | 1,300,239 | 2,766,702 |
| Provision for income taxes | 532,013 | 1,069,522 |
| Net income | 768,226 | 1,697,180 |
| Retained earnings, beginning of year | 6,509,751 | 4,676,468 |
| Retained earnings, end of year | $ 7,277,977 | $ 6,373,648 |
| Basic earnings per share | $ 0.06 | $ 0.16 |
| Fully diluted earnings per share | $ 0.06 | $ 0.15 |

## Consolidated Cash Flow Statements

| *For the three months ended March 31* | 1999 | 1998 |
|---|---|---|
| Cash Provided By (Used In): | | |
| Operations | | |
| Net income | $ 768,226 | $ 1,697,180 |
| Changes to income not involving cash | | |
| Depreciation and amortization | 1,041,423 | 543,453 |
| Deferred income taxes | 389,777 | 376,917 |
| Funds from operations | 2,199,426 | 2,617,550 |
| Net change in non-cash working capital from operations | (2,603,929) | (4,865,400) |
| | (404,503) | (2,247,850) |
| Investments | | |
| Purchase of capital assets | (1,411,662) | (409,281) |
| Net change in non-cash working capital from the purchase of capital assets | (189,989) | (2,227,750) |
| | (1,601,651) | (2,637,031) |
| Financing | | |
| Net proceeds from issuance of share capital | – | 8,415,830 |
| Increase (decrease) in long-term debt | 640,921 | 4,642,137 |
| | 640,921 | 13,057,967 |
| Increase (decrease) in cash position | (1,365,233) | 8,173,086 |
| Cash position, beginning of period | (2,848,496) | (1,450,324) |
| Cash position, end of period | $ (4,213,729) | $ 6,722,762 |

# Corporate Information

### Board of Directors

Kenneth M. Bagan (1) (2)
*General Counsel, Tesco Corporation*

Gary R. Bugeaud (2)
*Partner, Burnet, Duckworth & Palmer*

Murray L. Cobbe
*President and Chief Executive Officer*

Donald R. Luft
*Senior Vice President, Operations and Chief Operating Officer*

Douglas F. Robinson (1) (2)
*Independent Businessman*

Victor J. Stobbe (1)
*President,*
*American Leduc Petroleums Limited*

### Officers

Murray L. Cobbe
*President and Chief Executive Officer*

Donald R. Luft
*Senior Vice President, Operations and Chief Operating Officer*

Michael G. Kelly, C.A.
*Vice President, Finance, Chief Financial Officer*
*and Corporate Secretary*

Dale M. Dusterhoft
*Vice President, Technical Services*

David L. Charlton
*Vice President, Sales*

Michael A. Baldwin, C.A.
*Controller*

(1) *Member of the Audit Committee*
(2) *Member of the Compensation Committee*

### Auditors

KPMG LLP, Chartered Accountants
*Calgary, Alberta*

### Solicitors

Burnet, Duckworth & Palmer
*Calgary, Alberta*

### Bankers

Royal Bank of Canada
*Calgary, Alberta*

### Registrar and Transfer Agent

Montreal Trust Company of Canada
*Calgary, Alberta and Toronto, Ontario*

### Corporate Office

Trican Well Service Ltd.
1000, 633 – 6th Avenue S.W.
Calgary, Alberta, Canada T2P 2Y5

Telephone (403) 266-0202
Facsimile (403) 237-7716
Website: www.trican.ca

### Investor Relations Information

Murray L. Cobbe
*President and Chief Executive Officer*

Michael G. Kelly
*Vice President, Finance & Chief Financial Officer*

**Month End Closing Values**
*($ per share)*